

**County of Bandung**  
**International Resource Cities Diagnostic**  
**March 13-14, 2001**



Submitted by:  
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USAID Cooperative Agreement

# COUNTY OF BANDUNG

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### **Summary**

The County of Bandung is in a transition phase between urban and rural development. It encircles the City of Bandung (the capital city of West Java Province), which effects most development in the County. Together with Bandung City, Bandung County is known as a part of the Greater Bandung or Bandung Metropolitan Area. Most of activities planned and developed were based on the actual growth in both areas.

Unlike Bandung City, Bandung County still has natural resources such as tea plantations and other vegetables plantations. Bandung County has become a resort city for Bandung City because of its beautiful scenery. At the same time, as Bandung City grows into a highly urbanized area, most of its industries moved to the County of Bandung in search of a better place to have clean water and low land prices.

Bandung County is now facing many problems that should be carried out, as the development of the area is inevitable. Bandung County must develop a better development program to handle key problems/issues such as transportation (traffic flows from and to Bandung City go through Bandung County), solid waste management, pollution caused by many industries located in Bandung County, road conditions (damaged and too narrow to cope with the traffic flows), tourism planning, and other problems particularly concerning relations between the local government and the local council.

# THE RESOURCE CITIES PROGRAM

On February 8, 2001 *Kabupaten Bandung* (county of Bandung) signed a Memorandum of Understanding indicating their interest in participating in the Building Institutions for Good Governance (BIGG) program of ICMA-USAID in Indonesia. Specifically, they agreed to participate in the International Resource Cities Program (IRCP) component of BIGG. Given this commitment, a municipal diagnostic was required:

- Define the conditions of the county that will influence the effectiveness of the exchange.
- Provide a profile of the county that can be used to select the most appropriate US county partner.
- Identify the appropriate type of technical assistance or resources that should be exchanged in the partnership.
- Establish a framework for the partner's technical exchange work plan.

On March 13 and 14, 2001 *Deborah Kimble*, ICMA Municipal Governance Advisor and *Endi Rukmo*, ICMA Chief of Party for the Successful Local Government Support and Partnership program of BIGG met with members of *DPRD* (county council) and representatives of the executive and administrative staff of the local government.

This report provides an overview of the meetings and findings of the diagnostic trip as well as an analysis of the findings as they relate to meeting the objectives of the county — development of tourism and agri-business. Further the diagnostic report offers a list of potential technical approaches that the partners may want to pursue. The report is divided in to four sections:

1. Background on the process;
2. Summary of the meetings conducted;
3. Description of the context that guided the analysis of the findings; and
4. Recommendations on scope of technical exchange for the partnership.

## 1. Background on the Diagnostic Process

A general information meeting was convened by Wakil Bupati (Vice County Commissioner) Eliyadi Agraraharja the morning of March 13. Staff members from Public Works, Planning Agency, Public Transportation, Trade, and Agriculture were in attendance at the meeting.

After a brief re-introduction of BIGG by Endi Rukmo, Vice County Commissioner Eliyadi offered five core competencies of the county that served as the agenda for the general meeting. The discussion illuminated several facts. Four of the five topics – agri-business, manufacturing, tourism, and trade — dominated the conversation. It was explained that county of Bandung was rich in small farming; producing a range of products such as cabbage, potatoes, and rice. Bandung officials indicated that the produce is of export quality, particularly to *Propinsi Jawa Barat* (West Java Province). The challenge is creating cost effective opportunities for the small farmer to take advantage of this market potential. A drive through the county confirmed the vastness of this resource and demonstrates how the small farms contributed to the beauty of the county.

Development of the tourism industry in Bandung was also a major area of interest for the participants of the meeting. *Bandung Raya* (The Greater Bandung) area is framed by mountains that provide exceptional opportunity for the outdoor, passive recreational

centers to be developed. Bandung officials have completed a tourism master plan; the challenge now is to implement the plan.

One of the challenges for Bandung under the autonomy will be the allocation of resources for developmental and routine budgets that supports the goals. The remainder of the first meeting addressed questions regarding the financial resources and the organizations human capacity to achieve the development of either or both of the two sectors — tourism and agri-business.

Results of the meeting laid the framework for interviews with members of several dinas, two boards, and county council commission on finance and revenue. Using tourism development as a proxy for understanding how the staff saw their jobs vis-à-vis the development policy of the county, meetings were scheduled during which time question addressed was:

*“What function with in your unit’s (dinas, board or commission) area of responsibility would contribute to development of the tourism and/or agri-business sector of the county’s economic base?”*

## **2. Summary of the Meetings**

Based on the discussion during the general meeting interviews were scheduled with the following unit and boards. Further, a meeting with the members of the council’s commission on Finance and Revenues was also convened. What follows is a summary and analysis of all meetings.

### ***2a. Department Of Traffic And Public Transportation (DLLAJ)***

The ICMA team met with the Secretary to Administrative Office Rohendi, and unit’s staff members. When asked what contribution this department could make to the tourist development goal they indicated that they were responsible for traffic management, which included administer several revenue generating activities. They felt that both of these responsibilities could assist the county government achieve their goal. When asked how the following discussion ensued.

Proceeds from the revenue generating responsibilities would be transferred to the finance and revenue office, thus increase available resources for the [related projects in the] annual budget. However, the staff had not given thought to the fact that increase revenue user fees for vehicle examination, from public transportation terminals, and license for routes of other transportation modes through the county’s might lead to a citizen or user expectation of improved transportation management and services. If the new revenues were not dedicated to the street dinas then increasing these revenues through these sources might prove detrimental to development of the tourist [and agri-business sectors], which is dependent on good transportation.

A more direct link to tourism development relates to opening more transportation routes — rail, air, and roads — to Bandung. Staff indicated that at this time there was only one major road that provided access into Bandung. The access point, however, is at the boundaries of the city and county of Bandung. Given the amount of urban sprawl occurring along this boundary [into the county] there is a perpetual traffic jam. One advantage, however, is that the toll road terminates at this boundary, while this contributes to the traffic jam, it does provide options for other points of egress and ingress to a road system with higher vehicle capacity.

A complicating factor for the Traffic and Public Transportation Unit is the overlap of management of transportation routes that traverse the county. The Government of Indonesia, province and city/county governments each plan and maintain their own routes. This results in a duplication of staff, lack of transportation planning and the possible duplication of construction at intersections in which the routes cross.

In general, Bandung will require a great deal of attention to the road system, road expansion and road maintenance, if traffic congestion is to be eliminated as a barrier to tourism and agri-business development. The staff has an understanding of how the units can contribute, however, it will be incumbent upon them to demonstrate why simply raising fees and planning independent of the other contiguous government units will add to the problem rather than contribute to the solution.

For US partners, it is important to note that the Traffic and Public Transportation unit is not responsible for street maintenance, which would be its function in the US. It is more similar to a transportation-engineering department in the US.

### ***2b. Solid Waste Management Unit***

Solid Waste Management Unit is responsible for the cleaning of the cemeteries, parks and the collection and disposal of household, hospital and commercial waste in urban areas. Rightly so, the unit sees its contribution to the development of the tourist industry through maintaining the tourist destinations, in particular the public buildings.

Currently solid waste management expenditures are paid out of the general revenues (a portion of all sources) however; some revenues are derived through a small collection fee. The director has a plan for the department to be self financed by 2005. Issues that need to be addressed prior to achieving this goal include:

- Replacing poor equipment
- Building a final disposal facility
- Control fees
- And manage the sanitary landfill.

Actions being taken to rectify the challenges noted are driven by a desire to continually be recognized as an award-winning unit. In doing so, the staff is working with Planning Agency to plan the new landfill; further the staff has begun a household compost program [this is something that might contribute to the small agri-business objectives of the county], and has begun negotiations with city of Bandung on a joint hospital hazardous waste disposal site.

Miscellaneous items mentioned during the interview that might contribute to tourism are the fact that the department manages the billboards in the area and that the department staff sees high maintenance of an historic cemetery as a way to open another tourist destination.

### ***2c. Public Works Unit: Design, Construction and Irrigation***

Public Works Unit in Indonesian local government compare to the Engineering Department in most US cities. The major responsibility of this department is the design of public projects. Once constructed, the facility or project is turned over to a corresponding dinas for operations [but not maintenance as US officials would expect]. For example, tourist destination projects, once constructed, are turned over to the Tourism Unit for management.

Staff in this unit explained the functional responsibility as: designer, executor and controller of construction projects. In relation to working with other county's unit, the process is as follows:

Planning Agency is responsible for the development plan of the county. This would include master plan and capital plans for all unit. Planning Agency receives input from the various dinas (24 in all) and then conducts some comparative analysis in determining which projects will be recommended for funding (in later meetings this fact was identified by the staff, however, it is not clear what factors are used to conduct the analysis and, or priorities projects. After the Planning Agency completes its development budget, the Public Works unit takes on the responsibility of design and construction. In fiscal year 2001, 1/3 of the overall budget is dedicated to development projects.

## ***2d. Regional Planning Agency***

Planning Agency has been and continues to be major division in local governments of Indonesia. Under the "New Order" regime of Soeharto, the decisions about development projects came from the National Planning Agency (*BAPPENAS*), and were executed at the local level. Now Planning Agency is responsible for analyzing and recommending which development projects are included in the annual budget, independent of the central government.

By the nature of their training, staff in Planning Agency are well qualified to conduct this review, however, now they have to respond to local interest rather than the National Planning Agency. Line units (tourism, agriculture, etc) provide development projects they feel are required by their division. In previous meetings with city and county Planning Agency staff (in December 2000) they indicated that they did not have a good process for estimating cost of a project and then setting priorities, thus making it difficult for the integration of all development unit budgets to be evaluated objectively.

Further, it is important to note that at this time the Development Budget (or in US terms the capital budget) prepared by Planning Agency is not integrated with the routine (or operating budget). The line units present their operating budgets to the Board of Finance and Management independently. Since the eventual management of a development project is turned over to the unit, the long-term financial impact of a new development project could be substantial. Use of this practice in the past seems to explain the deteriorating infrastructure in most LGUs.

## ***2e. Tourism Unit***

The Tourism Unit staff is clearly aware of what has to happen. They have already developed a network of cooperation's with key institutions in the county's; business, handicraft associations [or guilds], travel/promotional organizations and educational institutions for purposes of building the human capacity of local people. Further they have developed a Tourism master plan in cooperation with Planning Agency, Public Works and Street Transportation Unit.

An interesting factor is the ability to engage the citizens in promoting a particular tourist site. For each site, a Tourism Movement Group advocates for government and works with the developer.

In regard to challenges they still face in their effort to develop the tourism potential of the region, the staff indicated the following:

- Improving the skill of management of tourism

- Secure more funds for expenditures [presumably from the council/county commissioner]
- Improve the quality of vehicles and facilities; and most importantly;
- Determine why past investors decided not to come to the area [basically an investment feasibility study should be conducted]
- Lack of funds for promotion.

## ***2f. Trade Unit — Industry, Agri-business and Handicrafts***

Trade Unit staff explained the relationship they had to the potential of the development of the agri-business specifically. They also explained in more general terms, the overall trade potential of the counties.

The unit has compiled a fairly extensive database on various commodities from the region; the analysis shows the value of traded goods and their destination. In general it appears that the role they play is fairly typical of a trade office in the US [albeit most local governments do not have a trade office, rather it is generally found in an economic development agency external of city hall]. Staff works closely with the Farm, Agriculture, Tourism and Industry Units in compiling information, trying to match market demand with existing businesses.

Agri-business trade has two components. One is the trade [export] of raw goods to Jakarta markets. The second is the trade [export] of food processing goods; the primary producer being Indo Food. A specific goal of the trade dinas is to increase trade opportunities for the small farmer. They intend to develop more warehouse/trading centers that can serve as a cooperative for the small farmer. In general terms this makes sense since it will reduce the amount of margin vehicles using the egress routes of the counties in an effort to get goods to market. More importantly, it moves the market for the purchase of small farmer goods closer to the place of production.

The trade unit felt that the province could assist in developing the agri-trade by providing guidance on zoning and transportation.

## ***2g. County Council***

Local government officials in the county had very distinct visions of the future. When meeting with members of the Commission for Finance and Management, one of 5 county council Commissions, it was clear that they were focused on immediate concerns of the county; most importantly improving the educational standards of the schools. While at first this appeared to be in conflict with the government opinions, it was soon understood that this was the objective of the FY 2001 budget. They felt that with this addressed [presumably through the allocation of funds for educational facilities], then they could move on to tourism development in 2002.

The challenges listed by the Commission members, as it relates to achieving the objectives of the county council included:

- Managing the money/revenues of the county better
- Gain political agreement on development expenditures
- Empower the low income - economic community, and
- Develop the human resources of the community/government.

## ***2h. Financial Management And Revenue Board***

As mentioned in Section 1, the Board for Financial Management and Revenue is a new Board (approval pending). By creating a board for the financial management, it was explained that the office had more power. Primary functions under the Board included budget preparation, which included coordination with all units, Planning Agency, and the Secretary of the county; Treasurer, who makes standards for reimbursement of development and routine expenditures and the bookkeeper; basically a cash flow using single entry system. The bookkeeping division is working with the State University to develop a pilot project that would introduce a double entry accounting system.

The head of the Board indicated they are interested in the performance budgeting training. Currently the budget plan required by the Government simply requires that there be routine and development expenditures. FY 2001 budget allocates 612 Tr. Rupiah for Routine budget (salaries and equipment), 233 Tr. Rupiah for Development (primarily education and culture). Revenue sources included special allocation, general allocation and shared revenues [the promise is greater than the reality; a universal concern of all LGU officials is the fear of not receiving the actual fund transfers. Since there is limited ability to conduct financial analysis on a regular basis over the year, LGU's do not know how much money they are spending vis-à-vis actual transfer of revenues]

Within the department, there are 3 computers for each of the following divisions:

- Bookkeeping
- Verification
- Treasurer
- Budget office

Because of the limited computer hardware, the county has an outside consultant handle payment of salaries [particularly since they now pay all teachers the bulk of the civil service employees transferred to local government].

## **3. Analysis Of Diagnostic Findings**

For purposes of analysis, ICMA/USAID developed a four point structure by which to determine the most useful technical information for each of the local government units in Indonesia as they implement Laws 22 and 25. The four points are:

- Organizational capacity
- Transparent budget and financial systems and practices
- Efficient deliver of services
- Effective citizen participation

The analysis of the information that follows is organized around these four points.

### ***3a. Organizational Capacity***

The county is working on a new organizational chart. Under the new organizational structure officials have created a check and balance system allowing several critical reviews and monitoring events to occur at various stages of budget preparation, development planning and execution of the budget and development plans. Efficient expenditure of financial resources however is tied to the organization's structure and management practices.



The proposed new organizational chart is attached for review. Three important changes include the creation of Boards for Planning Agency, Financial Management, and Controlling and Inspection. Beyond that, the county of Bandung has 24 Dinas and the administrative personnel under the direction of the Secretary to the County Commissioner.

In general staff members have identified key issues that must be addressed if autonomy is to be fully implemented. Issues listed include:

- Management of revenues
- Upgrading of the role of financial officer and his position
- Ability to link service delivery and the overall development plan (fiscal policy) of the county

Bandung expects to have 42,000 employees once the Government of Indonesia completes the transfer of civil servants to the local level. Included in this number, however, are 22,000 teachers. How this will assist with the integration of the newly transferred employees into the overall organization is not clear at this time.

### ***3b. Transparent Budget And Financial Systems And Practices***

Bandung stands to gain revenues under the new fiscal balance law (Law 25/1999) and subsequent Presidential Decrees. There seems to be agreement across the board that the government of county of Bandung must do a good job of managing the resources so that the development goals can be achieved but not at the expense of providing services for the people who live in the county now.

Balancing these demands is a universal issue; incorporating the budget and finance training into the work of the partnership will contribute greatly to achieve equitable distribution of financial resources. Bandung finance and budgeting challenges are:

- Developing a long-term revenue and expenditure plan that provides for fiscal sustainability when GOI transfers diminish.
- Developing revenue-generating schemes that can be tied to and demonstrate performance or change in a particular service area.
- Computerization of the unit.

### ***3c. Efficient Service Delivery***

In general, the dinas directors identified above have a good command on the management changes that are needed if more efficient services are to be delivered. The challenge is going to be assisting dinas line staff to understand that a change in work practices must be adopted. This will require assistance in developing supervisory practices, maintaining performance reports, and monitoring staff performance. Some of this will be addressed through the budget and finance training, especially for those units that would be involved in promoting tourism and agri-business development.

### ***3d. Effective Citizen Participation***

There was not a great deal of discussion regarding the involvement of citizens in any of the development processes or the budgeting processes. Staff in the Tourism Unit spoke of involving citizens in specific development projects. It will be important to work towards involving citizens in more of the policy and decisions-making practices with both the county council and the executive offices.

#### **4. Recommendations for the Partnership Exchange**

Recommendations on what have been discussed so far could lead the partnership exchange more on focus-based issues.

##### ***4a. Potential for Agri-Business and Tourism Development***

There are several factors that might be addressed by the county of Bandung government that would contribute greatly to development of the tourism and agri-business economic sectors.

Bandung is truly a beautiful place in Indonesia. The mountains, lakes and agricultural areas are tranquil, allowing one to escape the hectic pace of life in the urban areas. While there may be other places in Indonesia, or for that matter in West Java that have similar characteristics, there is no reason to believe that the county can not have a considerable domestic tourist trade.

Concentrating on the rural developmental nature of this area suggest that it would be possible to bring technical resources that would allow county of Bandung support both the small agri-business and tourism, as one of the contributing features of the county's geographic beauty is the small farm. Protecting this by developing a means of getting the produce of the small farmers to markets more easily would protect the pristine nature of the kabupatens, improve the livelihood of the citizens, and lay a foundation for a strong tourist industry.

##### ***4b. Recommended Approaches for IRCP with County of Bandung***

Based on the meetings with the county's staff and the subsequent analysis there are several different aspects of effective local government practices that could be considered through the partnership.

###### Tourism Development Plan

A comprehensive program oriented around the development of a specific tourist destination investment project. A team approach could be used, one involving staff from the Tourism, Planning Agency, Public Works, Traffic and Transportation, Trade, and Agriculture. Specific technical issues that would be included in such an approach would be:

- Transportation planning that promotes ease of access to the county
- Site development plan that included citizens in decisions made and addressed the types of regulations that would allow for tourist investment but also preserved the small farm economic base.
- Management of tourist facilities, specifically looking at how to develop a facility maintenance and operating budget

###### Intergovernmental Coordination and Relations

To work more closely with the city of Bandung and province of West Java to determine how funds could be used for an intergovernmental transportation plan, using transportation fees as a source of revenues to implement the plan.

###### Budget and Financial Management

The budget and financial management-training program should be augmented by specific assistance to the development of an integrated routine and development budget

for tourism. Most importantly, consideration should be given to revenue generation and allocation based on program and performance based budgeting principles.